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Electronics/housewares MarkeTrends
Have fitness sales grown flabby?

Sears' new chief

Chain Store Age

GENERAL MERCHANDISE TRENDS

January 1985

Will the CD play in Peoria

TWO DOLLARS PER ISSUE

CONTENTS

CEOs rate their job responsibilities

CEOs have well-defined views on their job priorities, this study shows. Building solid management teams ranks highest on the list 20

The Big 3 revamp domestics depts.

Fierce competition in the domestics market caused Sears, J. C. Penney and Montgomery Ward to rethink merchandising 87

Lady Liberty may prove a retail hit

The famous statue turns 100 in 1986, so fund raisers and private businesses hope to sell licensed merchandise 110

Industry News

Bass speaks out about the new Sears 17
Advertising strategy: Strange bedfellows: Pampers and PCs 24
Outlook '86: Growth is predicted as moderate 26

Photo/Camera

Processing wars: GMers fight back 29

Washington Viewpoint 115

Consumer Electronics

CD price plunges spur mini-boom 30
The karaoke: Singing along without Mitch 35
The battle of the superstores 51
Distilling the software market 57
CE MarkeTrends: Statistics show shifting patterns 66

Housewares

Taking the lid off cookware 75
Undercabinet already crowded? 76
Housewares stirring in Cleveland 77
Housewares MarkeTrends: Microwave bakeware sizzles 80

Domestics

Pillow talk: Sales up due to down 90
Mattress pads cover all corners 91

Sporting Goods

Slowdown due in health care/exercise? 95
Is the bloom of health off health care? 98
Nautilus is no lightweight 100

Toys

Construction toys building solidly 102
LEGO leglocks construction category 104
Bumper crop of Ethnic Cabbage Patch Kids 106

Licensing

Transformers leap to top of licensing poll 111

Classified Mart 112

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A 16-page Royal Business supplement hand inserted between the second cover and page 9.

There is a difference of opinion among ceo's and their middle management teams regarding job priorities. Of common importance, however, is quality of training programs.

CEOs give mixed reviews to staffs

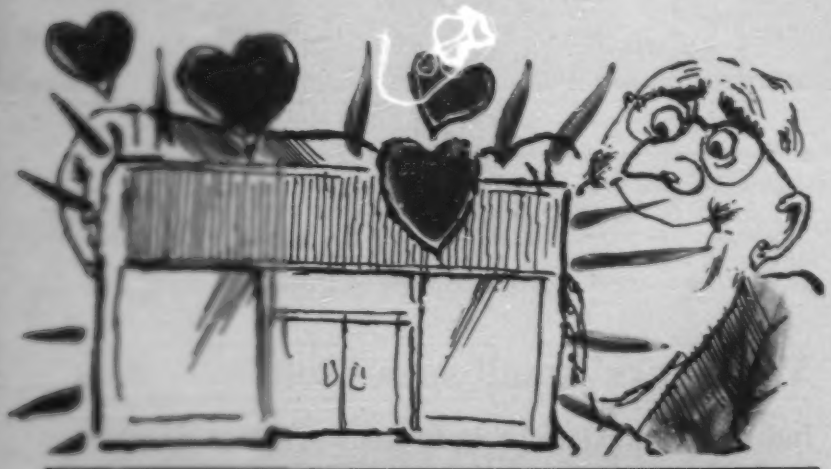
With a clarity of vision that befits lofty and well-paid positions, chief executive officers of the nation's leading retail companies have clear and well-delineated thoughts on their most important job responsibilities.

At the same time, the 66 respondents to an exclusive *Chain Store Age* poll of 249 retail leaders presented a more glowing description of their organizations than did lower management employees previously surveyed by *CSA* during the last two years (See *CSA* April '83, January '84, July '84).

Comparisons of the responses from the different studies, which probed many common areas among ceos, general merchandise managers, buyers and store managers, provide a top to bottom report card on the health and attitudes of retail management.

The ceos split their priorities into three distinct levels and another that appears more as an afterthought than a legitimate area of concern (see chart). Foremost in their minds was building a management team, a fact easily discernible from the numerous key personnel moves that usually accompany, in short order, the naming of a new ceo.

Strategic planning and providing leadership share the second spot, followed closely by the goal of maximizing profits.



	Ceo's	Gmm's	Buyers	Store managers
	3.9	3.4	2.9	3.8
	3.8	3.8	3.4	3.1

Second-tier priorities include motivating employees, maximizing sales and communicating the corporate mission.

Lesser concerns are community relations, store site locations, expense control, staff development and training and inventory control. Almost not worthy of their time and average salary of $238,340 are resource relations, distribution and advertising.

Eye openers: While it is obvious that some functions must rank at the bottom of their priorities, the 2% scores received by distribution and advertising are eye openers.

Anyone who has studied Wal-Mart's and Toys "R" Us' spectacular sales and earnings records knows that they have achieved them by systematically matching their growth to the development of an efficient distribution network.

Indeed, Stephen L. Pistner, pres/ceo of Montgomery Ward, recently told a Morgan Stanley retail conference that greater profits will accrue to the "most efficient distributor." His crosstown rival, Sears, Roebuck & Co., apparently agrees, as new merchandising chairman/ceo William I. Bass has set as one of his top three priorities improvements in the chain's distribution/replenishment system.

Few would argue that Lee Iacocca's personal involvement in advertising helped restore Chrysler's image and profitability. Advertising communicates the cutting edge of a company's differentiation.

Yet, it appears retail ceos are not overly preoccupied with the medium or the message.

Feeling good: That's the way the chief executives feel about their companies, though that feeling is not shared with the same intensity at the lower rungs of management.

Data for this article represents the fourth installment of a Chain Store Age survey of retailers. This portion of the study reflects responses from 66 chief executive officers from a sample size of 249. Responses came from ceos of 27 department stores, 14 from discount stores, 10 variety stores, 10 specialty stores and 5 catalog showrooms.

Previous portions studied the attitudes of store managers, buyers and general merchandise managers.

Conservative marks by ceos*
(*% giving excellent/very good ratings on staff capabilities)

Gmms	56%
[illegible]	[illegible]
Advertising/store promotion staffs	48%
[illegible]	[illegible]

Source: Chain Store Age research

As might be expected, ceos give their companies high ratings as to opportunities for promotion. On average they have spent 23 of their 30 years in retailing with their present companies. Gmms and store managers have sharply lower estimations. Buyers have even less belief that they will be promoted.

Buyers similarly gave their companies the lowest grades, and ceos gave them the highest, for concern for employees and recognizing performers within an organization.

While staff development/training is toward the bottom of the ceos' priority list, they are in agreement with gmms, buyers and store managers as to the quality of the respective training programs. They rated them just slightly better than "good."

Mixed signals: Despite this uniformity of thought, ceos are at odds with the three other groups when it comes to assessing their most important responsibilities. The areas of disagreement are interesting to note.

For gmms, the ceos and gmms agreed on planning, maximizing gross margin, training buyers and inventory control. The ceos also listed reviewing buying decisions and maximizing sales. The gmms added maximizing gross margin dollars and sales volume increases.

The buyers and ceos agreed that buyers should set proper assortments/selection, maximize gross margins, plan and negotiate the best deal. The ceos added inventory control and insuring an in-stock position. Buyers had maximizing turns and sales volume increases.

Areas of agreement between ceos and store managers included customer service, sales volume increases, employee morale and customer relations. The ceos also listed expense control and shrinkage control, while the storemen added returning a net profit and planning.

With more store manager bonus programs being tied to profits and not just sales, their net profit inclusion is understandable. Surprising, even frightening, however, is the complete absence from their responses of shrinkage control.

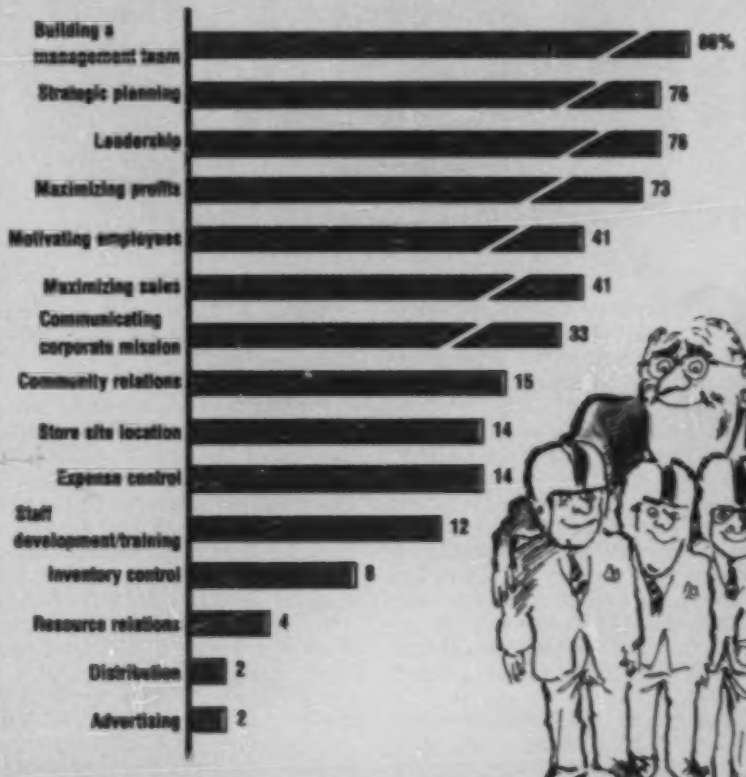
The missing criteria, missing at least in the mind of the ceos, may offer a clue as to why their staffs do not receive strong overall ratings. Asked to rate their capabilities, ceos were harsh scorers indeed.

Only gmms received more than 50% "excellent/very good" ratings. Behind their 56% came store managers at 47% and buyers at 41%. The advertising/store promotion staff earned a 46% excellent/very good mark.

For their own development, ceos said they most needed additional training in planning (58%), computer systems (50%), time management (46%) and motivating employees (41%).

Interestingly, distribution and advertising ranked 10th and 11th out of 13 areas. But their scores of 12% and 11% give some hope that some ceos recognize the need to become more involved in these critical aspects of retailing. □

Building a management team top ceo responsibility



Source: Chain Store Age research

Profile of the average ceo

The average chief executive has been in retailing 30 years, has been with his present company 23 years, has been ceo nearly nine years and is 53½ years old.

One in 6 have both merchandising and operations in their background. Forty-seven per cent have merchandising experience alone, 27% operations.

The average ceo earns $288,340 a year.

Processing is a bright spot in the unspectacular photo market. Volume has surged ahead 15% to 20% in the last 12 months for most chain store operations.

Processing wars: GMers fight back

Drug and supermarket chains are aggressively involved in photofinishing.

The good news for general merchandise chains committed to photofinishing is that category volume is expected to remain strong at least through 1985. The bad news is that other well-positioned retailers, especially well-heeled drug and supermarket chains, are going after the business with considerable intensity.

Processing has been one of the few bright spots in the unspectacular photo market. Volume over the last 12 months has surged ahead 15% to 20% for most chain store operations, and GMers have not had to sacrifice gross margins of 30% or better to produce those gains.

In the midst of this feasting photo buyers are wary of mounting pressure from big drug and supermarket chains, who want to expand their share of the market.

The heart of the problem is that more than half of all consumers still rate either price or convenience as the major factor in choosing a finishing outlet. Given that predisposition by customers, supermarket chains, which see the average customer once every five days and are used to working on extremely low margins, have been able to increase their share of the business more than 100% over the past five years and now account for 9% of volume.

Compounding the problem is that drug chains, which control about 30% of volume, have decided to counter the aggressiveness of supers, and the fallout is making everyone uncomfortable. Although not as sharp on price as grocery chains, drug stores are more innovative. Chains like Eckerd and Walgreens pioneered rapid turnaround service.

Faced with this kind of competition, GM chains are attempting to buoy their processing business by emphasizing their strengths as camera retailers. Much of the new photofinishing business is being generated by sales of autofocus cameras.

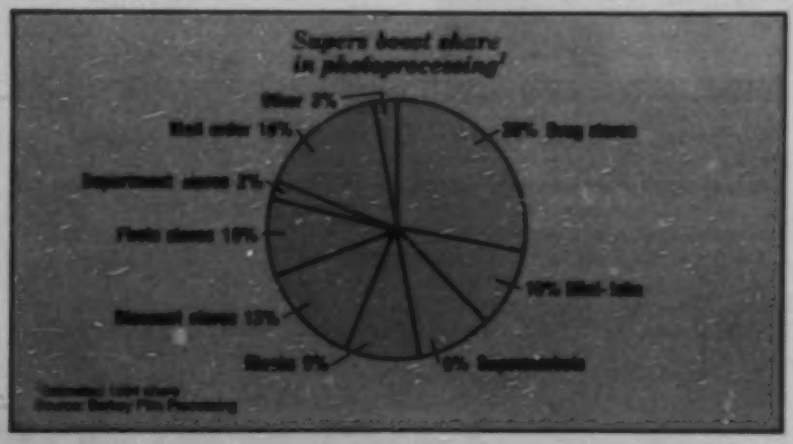
"A customer who buys a 35mm camera is interested in quality work and is likely to give the photofinishing a try at the place where he bought the camera," says Eleanor Ehrlich, director of marketing for Berkey Photo.

To capitalize on what many see as the growing importance of quality in processing, some chains, particularly upscalers like Bradlees and Caldor, have begun offering special features, including glossy finishes, large prints and high grade enlargements. Others are buying back prints which customers don't like. These and other offerings are helping general merchandisers hang on to the customer still reluctant to take photos to the supermarket.

But general merchandise chains have also recognized that they must promote more frequently, and in new ways, because they can no longer count on simply capturing the processing customers as they make their weekly shopping rounds.

G. C. Murphy reports that "substantial" ad increases during the second half of 1984 helped propel its finishing business despite increased competition from grocery chains. K mart tested television ads for processing in one market and saw volume zoom ahead 20%. The chain will soon roll out a coordinated national photoprocessing campaign with television advertising.

That kind of aggressiveness should help discounters maintain their 13% market share over the next two years. But supermarkets are still likely to take more of the business over that period of time, squeezing out department stores, specialty operators and independent stores, creating a market increasingly dominated by mass market chain outlets. □



Statistics show shifting patterns

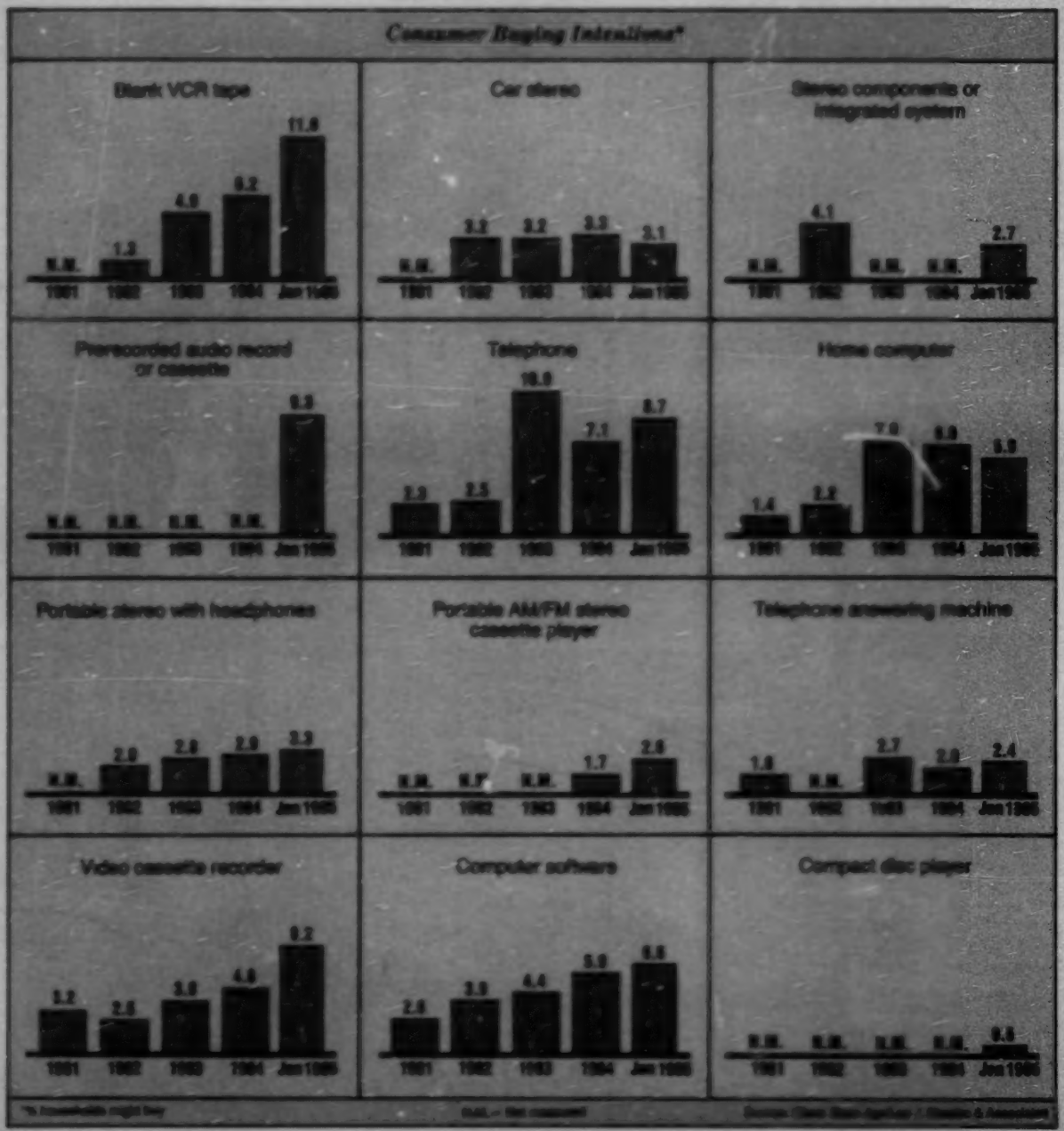
Chain Store Age MarkeTrends, a monthly report of consumer buying intentions making its first appearance with this issue, provides some interesting—and surprising—insights into this year's buying patterns for 12 consumer electronics products.

Blank video tapes, video cassette recorders and computer software all continue an upward trend, according to this month's study. For each of these categories, more consumers expect to buy this year than did the year before.

In December 1983, 4.9% of consumers expected to buy blank video tapes in the coming year. In August the number who intended to buy rose to 7.1%. This month's study shows 11%—more than double last year's figure—now state they expect to buy blank video tapes in 1985.

The number of consumers who intend to buy a video cassette recorder itself (see related story) has also more than doubled in the last year, rising from 3.9% in 1983 to 4.8% last August and 8.2% in the current study.

Computer software also continues to show steady growth, but below some of the industry's more op-



timistic forecasts a year ago. Last December, 4.4% of consumers said they expected to buy software in the following year. In August the figure slipped gently up to 5.9% and in the current study stepped up another notch to 6.6% who intend to buy in 1985.

According to *CSA* MarkeTrends, telephones may have matured a bit more quickly than many had anticipated (see related story). At the end of 1983, 10.9% of consumers reported they expected to buy a telephone in the coming year. By August, the number who intended to buy dropped to 7.1% and in the January survey remains level at 8.7%.

Portable headphone stereos, car stereos and telephone answering machines also remain stable, according to this month's survey. For each of these product categories, consumers expect to buy with just about equal frequency as past years.

Compact disc players, while garnering only 0.5% of consumers who expect to buy in 1985, may provide the excitement in audio for 1985. The study reveals that 60% of shoppers who expect to buy a CD player in the next year have already done some preliminary shopping. □

Phone shopping intensity slows

There has been a slowdown in the brisk pace of telephone sales.

August's *CSA*/Shapiro telephone study indicated a drop off in consumer interest in phones, and retailers' results for the latter part of 1984 confirm a slowdown from the brisk sales pace set earlier in the year.

The current *CSA*/Shapiro poll further confirms that although telephones are still the electronics category in which consumers express the most interest, the number of potential customers actively shopping for phones is well below last year's pace.

Part of the explanation for less than expected sales may simply be increased consumer sophistication. The breakup a year ago may have led many consumers to believe mistakenly that they needed to purchase new phones. As the year progressed, AT&T spokesman Andy Griffith's message that there was no need to replace "old reliable" may have taken at least some of the glitter off new phone sales.

Shoppers zero in on $50 telephones

	August '84	January '85
[illegible]	[illegible]	[illegible]
$10-$20	15.4	2.2
[illegible]	[illegible]	[illegible]
$31-$50	25.9	35.4
[illegible]	[illegible]	[illegible]
$100-$149	6.3	6.3
[illegible]	[illegible]	[illegible]
$200+	2.5	1.6
[illegible]	[illegible]	[illegible]

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Added consumer sophistication reveals itself most dramatically in collapsing price expectations. When asked what they expect to pay for a phone, potential telephone shoppers in the most recent poll answer $50 with near unanimity. Consumers seem to have all but abandoned both low-end phones (under $20) and the high-end ($100 and up), looking instead for a telephone that costs just about exactly what AT&T charges for "old reliable."

Despite consumers' apparent sophistication, potential phone buyers don't consider themselves expert shoppers, according to the *CSA*/Shapiro study. When asked to rate their talents, telephone prospects think they are better at shopping for VCRs, cookware, coffee makers and microwaves than they are for phones.

Bell, AT&T and Western Electric phones remain the first choice for nearly 1 out of 2 (46.2%) potential buying prospects, a market lead steadily maintained over the first year of deregulation. Name brand (not specific) is next on the list at 22%, followed by G.T.E. with 12.1%, store brand at 12.1%, Cobra with 2.2%, G.E. at 2.2% and Unisonic posting 1.1%.

Among retailers, telephone stores grabbed the largest market share with 31.8%, according to the study. Discount stores took the second spot at 13.4%, followed by Sears, Penney and Ward with 5.9% and electronics specialty stores at 5.8%. □

VHS vs. Beta: the jury's still out

Potential customers for video cassette recorders are becoming increasingly brand-conscious and remain relatively unconcerned about the battle between Beta and VHS, according to *Chain Store Age*/Leo J. Shapiro & Associates research.

Though consumers who state a preference between formats choose VHS by a 2 to 1 margin over Beta, nearly two-thirds of those polled say they have no current preference. For Sony, whose fall advertising campaign touted Beta's superior picture quality over VHS, the *CSA*/Shapiro study provides evidence of a market waiting to be brought back into the fold.

The only hitch in Sony's plan to grab back market share for its Beta format, according to the study, is increasing brand loyalty. The current poll indicates that consumers have given very specific thought to what

Consumers have no format choice . . .	
VHS	27.8%
Beta	10.0%
No preference	12.9%
. . . but strong brand preferences	
Fisher	25.0%
Name brand (not specific)	25.0%
Sony	20.5%
Panasonic	14.3%
RCA	13.4%
Zenith	4.5%
Store brand	4.5%
Sharp	2.7%
Magnavox	2.7%
Mitsubishi	0.9%
Other	0.9%
Not answering	2.7%

Source: Chain Store Age/Leo J. Shapiro & Associates

brand VCR they intend to purchase and have not really addressed the format question.

As recently as last August, consumers who answered they definitely wanted their stated brand numbered 15.7%. Only five months later 26.8% of respondents report they definitely want their chosen brand. The number who say brand doesn't make any difference has dropped from 4.9% last summer to 2.7% in the current poll.

The effect of advertising promotion in determining consumer brand preferences, however, should not be discounted. The *CSA*/Shapiro study indicates that potential VCR customers are more fickle when it comes to brand than they report.

VCR sales may suffer if the economy takes a turn for the worse.

Fisher, which didn't even garner a mention in the August poll, comes off strong fall promotional activity and now tops the list as the most preferred brand with a 25% share. Following Fisher are: name brand (not specific) at 25%, Sony with 20.5%, Panasonic 14.3% and RCA at 13.4%.

Regardless of brand, the *CSA*/Shapiro study provides one sober note: if the economy should sour in 1985, VCR customers may jump off the sales bandwagon. In the most recent poll 74.6% of those questioned say they would delay buying a VCR if they needed to curb their family's spending this year. This compares to the 67.3% in the August study. □

Computer software market not so soft

Depending upon which industry pundit is asked, computer software is either ready to fall over the brink of disaster or preparing to blast off. The *CSA*/Shapiro poll gives more support to the cheerleaders than to the doomsayers.

The current *CSA*/Shapiro study shows that fully 70% of those who might buy computer programs in the next year were actively shopping immediately before Christmas, exceeding the shopping intensity of even prospective VCR buyers. For a product heavily dependent upon December and January retail sales, the heavy shopping activity bodes well for the industry.

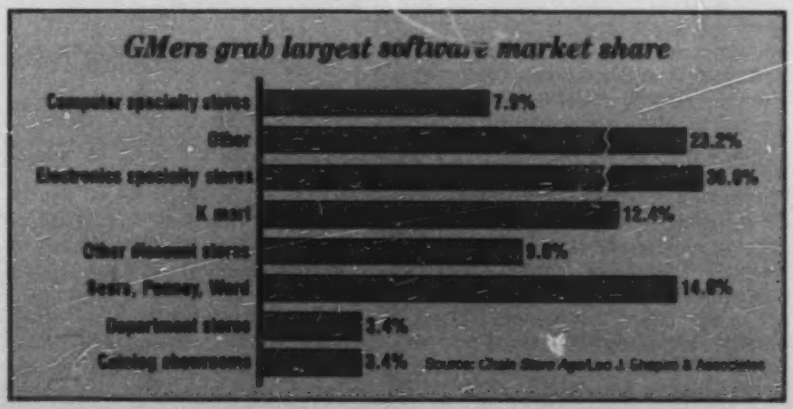
A less encouraging sign for software manufacturers, however, is the continuing failure of any of the publishers to establish a top-of-mind, brand name awareness among consumers. When asked what brand computer program they intend to purchase, consumers have yet to answer with any of the brand names publishers have tried so hard to establish.

Instead, the *CSA*/Shapiro study suggests that consumers are answering the question with the brand name of their computer, and not for the software they intend to purchase. Commodore tops the list with 17.3%, followed by brand name (not specific) at 17.3%, IBM (13.6%), Apple (12.3%), store brand (9.9%), Atari (7.4%), Texas Instruments (7.4%), Coleco Adam (3.7%), Macintosh (1.2%) and Intellevision (1.2%).

Adding to the confusion, consumers are still unsure how much they expect to pay for computer software, according to the survey. Two out of five (40.6%) potential software customers do not give an estimate of what they expect to pay. Among those who do answer, there is no obvious consensus, with estimates ranging from under $10 to over $2,000.

One out of 10 (10.5%) computer program buying prospects admit they are not good shoppers when it comes to software, and consumers rank their overall shopping abilities in the category the lowest of all the products highlighted in this month's poll. The number (17.3%) of potential software customers who rank their shopping abilities as outstanding in the category is also the smallest in the January study.

For the first time the January poll shows general merchandise chains taking the largest share of the home computer software market, garnering 49.3% of unit sales compared to 43.9% for computer and electronics specialty stores. □



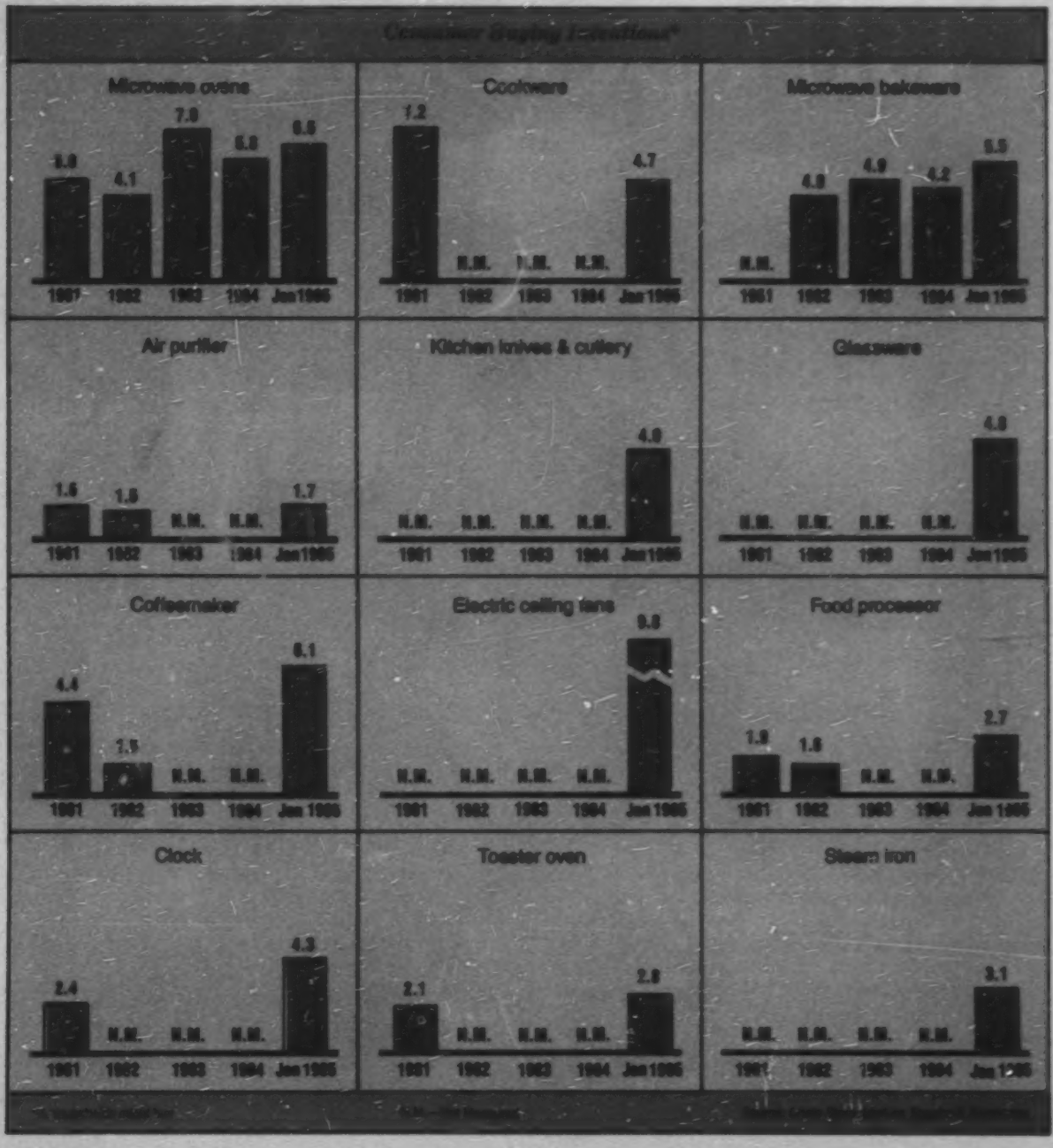
Microwave bakeware to sizzle in '85

This month marks the debut of *CSA* MarkeTrends, a monthly report of consumer buying intentions. Its purpose is to provide insights into some key housewares classifications such as microwave ovens, air purifiers, food processors.

Over the past four years, interest in microwave bakeware has paralleled the interest in microwave ovens. Both show a strong potential buying market for January, coming off of a down year reported in August 1984.

For bakeware, 1985 shows the greatest percentage of potential buyers since *Chain Store Age*/Leo J. Shapiro & Associates began tracking it. The initial buying audience for microwave ovens peaked in December 1983 and has been on the comeback trail ever since.

Almost all the other markets tracked in 1981, and '82 through '85 show growth. Cookware, however, is the exception. Although it wasn't tracked in '82 through '84 inclusive, the market for the merchandise was at a high of 7.2 in '81 compared with 4.7 this month.



Discounters move cookware

Consumers shop cookware carefully

Outlet:	% who shopped:	% who bought:
[illegible]	[illegible]	[illegible]
K mart	11.8	13.2
[illegible]	[illegible]	[illegible]
Sears	17.3	9.3
[illegible]	[illegible]	[illegible]
J. C. Penney	4.5	1.3
[illegible]	[illegible]	[illegible]
Catalog showrooms	4.5	3.5
[illegible]	[illegible]	[illegible]
Mail order	8.0	5.3
[illegible]	[illegible]	[illegible]
Other	6.3	10.6

Source: Chain Store Age/Leo Shapiro & Associates

Four out of five shoppers looking to buy cookware this year will shop discounters, the Big 3 catalog chains and department stores, notes a recent *Chain Store Age*/Leo Shapiro & Associates study. Of that group, the Big 3 attracts the most (29.1%) while the remainder is almost equally divided between department stores and discounters. (See chart.)

However, the Big 3's market share is reduced to less than half when compared with where customers actually made purchases last year. Both the discounters and department stores picked up share to 29.1% and 27.3%, respectively.

Considering that cookware is a brand name business (57% said they would buy an advertised brand), and that the primary reason to shop a store is its low prices (32.2%) followed by quality (9.9%) and selection (9.2%), it is easy to understand these buying trends. Department stores and discounters carry a wider selection of cookware, often running them at sale prices that are unmatched in the Sears, J. C. Penney or Montgomery Ward catalogs. For example, Penney had Le Creuset sets and open stock, featuring the 4½-qt. covered round oven at $72 while Bloomingdale's carried it on sale at $49.95 reduced from $72. □

Name brands are a popular brew

One out of three customers shopping for coffeemakers this year are shopping price and 49.2% expect to spend less than $35, indicates a *Chain Store Age*/Leo Shapiro & Associates study. But more importantly, 2 out of every 5 shoppers say there was no particular reason why they shopped the stores they chose.

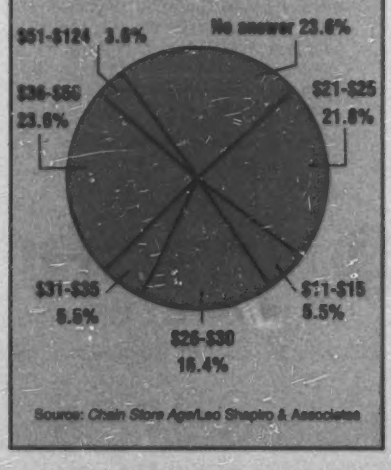
Brands, such as Mr. Coffee, Norelco and General Electric (the three most named brands respectively) could be drawing cards. Nearly 55% of those polled want an advertised brand.

However, these items don't necessarily have to be on sale to sell since 36.4% of last year's shoppers say they paid full price for their coffeemakers. Moreover, retailers may be able to move customers into better-margin name brand goods with the right saleshelp or display since there still is a large group (43.6%) who are not committed to any brand.

As expected, customers are shopping mostly discounters (47.1%) and mass merchants (29.9%). Perhaps they are glancing at coffeemakers as they do their other shopping at these one-stop retailers. Surprisingly, these outlets lose market share when it comes to where consumers are making their purchases. Discounters fall to 31.7% of the market and mass merchants to 15.8%.

Department stores and catalog showrooms gain at their expense. In fact, department stores shoot up from 2.9% of the shoppers to an astonishing 16.8% of the buyers. Catalog showrooms also show a tremendous jump from 2.9% of the shoppers to 14.9% of the buyers. □

Consumers shop price on coffeemakers



Source: Chain Store Age/Leo Shapiro & Associates

Majority buy microwaves on sale

Microwave shoppers want price, satisfaction and selection

Outlets:	% who shopped:	% who bought:
[illegible]	[illegible]	[illegible]
K mart	2.9	2.2
[illegible]	[illegible]	[illegible]
Sears	29.5	18.5
[illegible]	[illegible]	[illegible]
Montgomery Ward	12.9	10.9
[illegible]	[illegible]	[illegible]
Product specialty stores	1.4	8.7
[illegible]	[illegible]	[illegible]
Other	8.5	16.2

Source: Chain Store Age/Leo Shapiro & Associates

Nearly 2 out of 3 customers shopping for microwave ovens have decided on the brand they want, notes a *Chain Store Age*/Leo Shapiro & Associates study. Approximately 49% want an advertised name with Litton attracting the most, followed by Amana and General Electric tying for second place. Another 14.2% want a store brand, like Sears' Kenmore.

In fact, Sears alone attracts more shoppers (29.5%) than any other retail outlet. Consumers say they shop a store primarily for its low prices (32.8%); satisfied past visits (8.7%), and selection (8.2%) were the next most stated reasons. There is little change in where consumers shop and where they buy.

The majority (65.4%) who bought microwave ovens last year bought them on sale. This year's shoppers already have a feel for prices (only 14.2% had no idea as to price) and the majority expect to spend less than $399.

Still, 18.6% plan on paying $400 to $499 and another 15.2% expect the cost to be more than $500.

After a healthy boom, the exercise/health care industry seems to be in less than perfect shape. Speculation is that shoppers may have had their fill of fitness.

Slowdown due in health care/exercise?

Retailers who have increased square footage in anticipation of big sales may be disappointed.

Is the home health care/exercise equipment sales curve about to take a turn for the worse? A recent *Chain Store Age/ Better Homes & Gardens* survey indicates that shoppers may have already had their fill of many of these devices.

Health care and exercise equipment turned up in more American homes in 1984 than in 1983, according to surveys conducted in September of both years by *CSA/BH&G*. More than half of all American homes contained a heating pad, the most frequently found health care item surveyed. Nearly half also had a jump rope, the most popular form of exercise equipment. Both items, it might be noted, are also the least expensive of the 24 items surveyed, which might account for their ubiquitousness.

Of the 24 items, nearly all showed positive penetration into American households. In exercise equipment, however, fewer households reported owning a punching bag in 1984 than in '83—the only item of exercise equipment that dropped during the one-year period.

Some items increased notably. Gravity bars and boots and treadmills, for example, doubled their penetration into American homes. However, they still remained the least likely items of exercise equipment to be found. Home gyms, exercise mats, exercise bikes, weight benches and rowing machines also increased significantly.

That's the good news. The bad news is that retailers who have increased square footage and sku's in exercise equipment in anticipation of another hot year may be in for a disappointment. Customer interest in purchasing several types of exercise equipment may be on the wane, according to the survey.

Some of this may be attributable to the faddish nature both of the equipment and of exercise trends. Gravity bars and boots, last year's hot item, generate very little interest among customers now. Other items showing a dropoff in interest are punching bags, treadmills, exercise mats, trampolines, hand grips, dumbbells and jump ropes.

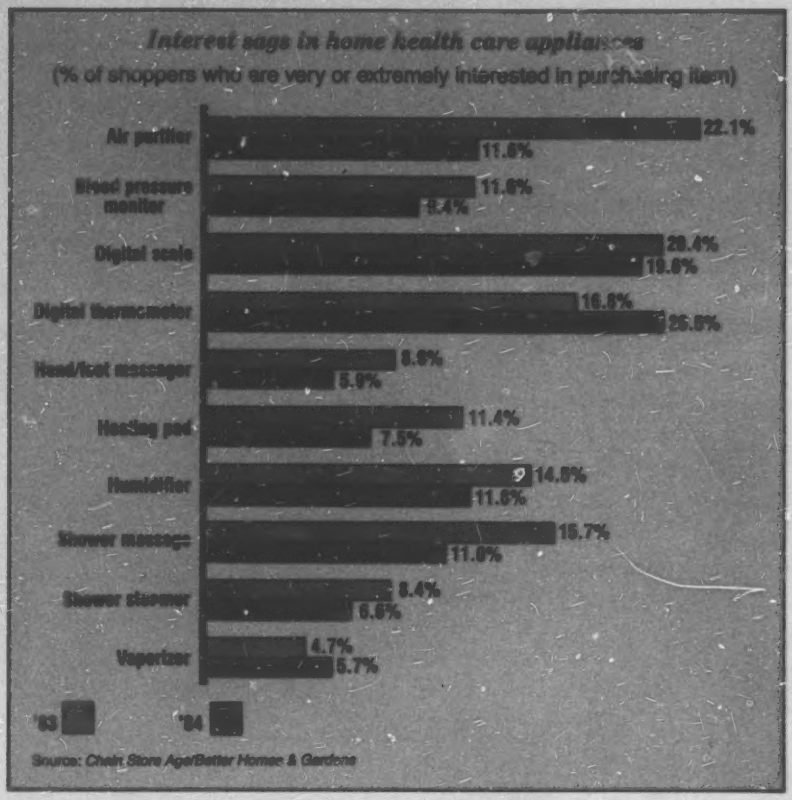
On the other hand, interest continues unabated for weight-training and stamina-building devices. More shoppers surveyed in 1984 indicated that they would be "very" or "extremely" interested in purchasing ankle and wrist weights, barbells, exercise bikes, a home gym or a rowing machine than in '83. About the same percentage of shoppers indicated interest in weight benches in '84 as in '83.

Most activity in exercise equipment is generated by shoppers aged 18-34, generally with high in-

Is exercise/health care market saturated?
(% of shoppers who already own item)

Item	1983	1984
Vaporizer	42.5	46.4
Humidifier	40.5	38.6
Blood pressure monitor	12.0	13.9
Digital scale	8.6	12.5
Shower steamer	3.2	3.8
Exercise bike	19.8	25.4
Weight bench	11.8	17.2
Exercise mat	9.3	13.9
Ankle/wrist weights	8.4	11.3
Home gym	3.2	7.1
Gravity bar/boots	1.1	2.1
Treadmill	0.2	1.4

Source: *Chain Store Age/Better Homes & Gardens*



comes—the same as in the '83 survey. However, both rowing machines and weight benches sparked interest also among the 35-49-year-old set in the '84 study.

All of this indicates that there is still a need for retailers to carry exercise equipment in sporting goods departments. Retailers, however, should pay close attention to the types of items they carry. Interest in exercise equipment should continue to shift toward older customers as the fitness-oriented baby boomers grow older. These customers, though, appear to be more interested in maintaining health in the most efficient way and are less likely to pick up on faddish exercise trends than last year's exercise equipment shoppers. □

Bloom of health off health care?

Interest has waned in health care devices like air purifiers. Most popular are thermometers, vaporizers.

Do Americans feel they've gotten their fill of health-care devices? A survey conducted by *Chain Store Age/Better Homes & Gardens* indicates that retailers who have been building up this category may be in for hard times in 1985.

Of the 10 health-care items surveyed, slightly more households had them in '84 than did in '83, but sales should not be expected to increase significantly in '85. Fewer shoppers were "very" or "extremely" interested in purchasing health-care devices in the most recent study. Interest remained high only for digital thermometers and vaporizers. Not surprisingly, younger shoppers with children were the most likely to buy these items.

But for products like digital blood pressure monitors, the outlook is bleak. That is bad news to retailers like K mart which have eliminated the lower-priced (and harder-to-operate) sphygmomanometers in favor of $50-and-up electronic and electronic digital models. Slightly more than 1 in 10 households contains a blood pressure monitor, and slightly less than 10% of shoppers intend to purchase one next year—a drop from '83. The most likely buyers for blood pressure monitors, as for most of the other health-care products, are shoppers aged 35-49 with incomes over $35,000.

Shower massage attachments showed the biggest gain in the period from 1983-84, but they, too, may have peaked. While more than 4 in every 10 households surveyed contained a shower massage, only about 1 in 10 shoppers was interested in purchasing one next year.

The biggest disappointment is air purifiers. Not only did fewer households report owning one in '84 compared to '83, but only half as many shoppers in '84 as in '83 indicated interest in purchasing the product. Humidifiers, too, dropped in ownership and in shoppers' intention to buy. □

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tailers, giving them the shirts and designs they want, and we'll even use the retailers' label," says Harold Spann, a principal in the company, which is also offering pins, money clips and other memorabilia based on the foundation's logo.

Liberty headquarters: To help its licensees get retail distribution, Hamilton Projects is also working on a program which will allow stores to become official "Statue of Liberty Headquarters" sanctioned by the Ellis Island group. Under this program stores will be encouraged to pull together various types of licensed products into one section and will be provided with POP and other display materials incorporating the official logo of the committee.

"Retailers don't have to commit anything to us financially. Just by selling the merchandise they'll be benefiting the statue," says Stone of Hamilton Projects.

A company which specializes in preparing exhibitions for malls has also been signed by the Ellis Island group to generate excitement at the retail level with a presentation based on the book "In Search of Liberty." Resource Developers, based in Torrance, Calif., expects 1,000 malls around the country to use the exhibit, and the company is also providing banners, bunting flags and other merchandising aids to stores who want to get in on the mall festivities.

All of this retail activity will take place within the context of one of the largest public fund-raising campaigns in American history. According to the Ad Council, about $40 million in media time and space will be contributed to the statue restoration campaign in 1985.

"We already have some 20,000 clips of stories which have been published about the statue. Public awareness is very high," says a spokesman for the Ellis Island group.

Olympic memories: With so much momentum, the licensing of the Lady seems like a sure thing, unless buyers react cautiously to the concept because of the poor showing made last year by Olympic merchandise. Although retailers have yet to see most of the Liberty merchandise, at least one vendor says his sales force is cool to its own line because of bad memories about the Olympics.

But others are positive the concept will go, saying the Olympics, with all of its international politicking, left a bad taste.

"There's really a good feeling in the country now. It's O.K. to say you're proud to be an American, and the Statue of Liberty is a focal point for that feeling," says William Duryea, president of Resource Developers. □

Transformers switch into lead

The latest *CSA* poll shows character licenses to be surprisingly stable, despite position changes in the top 5.

Cabbage Patch Kids' licenses are hard to get, and are in great demand.

The supposedly topsy-turvey world of character licenses actually seems quite stable these days, judging by the latest *Chain Store Age* poll of toy buyers.

Five licenses still dominate the list of fastest growing properties. Their positions have changed from the last poll, with Transformers reaching the top after several months tied for third place.

If the top five seems like almost an old story by now, so does continuing buyer frustration at not being able to get enough of the precious five to meet demand.

"Cabbage Patch hot, hot—if you can get it," wrote one buyer, summing up the frustration of his colleagues.

The list of most rapidly declining licenses shows even less variation. Not only do the same five properties reappear on the list this month, but they rank in the same order.

The *CSA* survey is sent monthly to 100 toy buyers at department, discount, variety, catalog showroom, and toy specialty chains throughout the country. Responses from the latest poll, which reflect October's sales, were received from buyers representing some 2,600 stores. The number in parentheses indicates position in last month's poll. □

Showing most growth	*Showing most falloff*
1. Transformers (3)	1. Star Wars/Jedi (1)
2. Masters (2)	2. A Team (2)
3. Rainbow Brite (1)	3. Strawberry Shortcake (3)
4. Cabbage Patch (3)	4. Smurfs (4)
5. GoBots (3)	5. Shirttails (5)

Price cutting hurts 3rd quarter margins

The third quarter proved a mixed bag for the nation's general merchandise chains as unseasonably warm weather in many areas kept shoppers out of stores and precipitated a rash of price cutting which hurt gross margins.

High fashion retailers were hardest hit by the warm weather slowdown, which had its greatest effect on apparel sales. Dayton Hudson recorded its first-quarter earnings decline in three years as costs associated with merging the Dayton's and Hudson's divisions and pressure on department store margins caused earnings to dip 3%. Federated's earnings slumped 24% as modest sales gains failed to offset lower margins and expenses associated with opening its Mainstreet division.

Among chains tracked by *Chain Store Age*, Carter Hawley Hale appeared to be the quarter's most impressive performer. Operating income from continuing operations for CHH raced ahead 143%, while net income increased at a slower rate, 59%, because of costs associated with defense against the takeover bid by The Limited.

But even with those heady results, CHH remains a company with major problems. Third-quarter figures were compared against a weak quarter last year, and CHH's sales-to-operating income ratio is still a dangerously low 1.6%, compared with 6.1% at R. H. Macy and 6.5% at May Department Stores.

CHH has taken a more promotional stance, especially in California, where it is trying to keep pace with the likes of Macy's. The company is also striving to achieve a better balance of basic goods to fashion merchandise, but much remains to be done before CHH can be said to have successfully implemented these new strategies.

One company apparently in the midst of a strong rebound is F. W. Woolworth, which didn't let the intensely competitive environment in the third quarter keep its gross margin down. The company parlayed a 7.3% domestic sales increase with a full percentage point gain in gross margin to boost earnings 30%. Leading the way was the revitalized variety store division, whose sales jumped approximately 15%.

Profits lag in promotional 3rd quarter

	3rd Quarter (000 omitted)			Nine months (000 omitted)		
	1983	1984	% change	1983	1984	% change
Penney	$4,000	101,000	+ 7.1	287,000	319,000	+ 5.6
Sears[1,4]	135,000	112,500	– 17.2	247,000	294,200	+19.8
Ward	2,000	(15,000)	—	(13,000)	(16,000)	—
Subtotal	231,000	186,500	– 14.4	441,000	497,200	+12.8
K mart	81,400	92,400	+ 13.5	243,700	294,000	+21.0
G. C. Murphy	4,700	4,330	– 8.4	11,105	11,230	+ 1.1
Rose's	3,005	3,648	– 6.2	11,744	13,151	+12.0
SCOA (Hills)	10,511	10,661	+ 1.6	13,000	14,200	+ 2.5
Wal-Mart	42,704	58,702	+ 37.7	111,002	161,200	+44.5
Woolworth[1,4]	29,000	31,000	+ 30.0	37,000	49,000	+32.4
Zayre	17,563	22,504	+ 28.7	33,115	45,520	+37.8
Subtotal	188,841	218,442	+ 25.8	462,305	588,519	+27.5
Allied	19,102	17,621	– 8.1	46,268	46,674	+ 1.5
Associated Dry Goods	14,200	15,933	+ 11.6	35,000	39,394	+12.2
Carter Hawley Hale[1]	5,071	9,012	+ 77.7	14,143	(5,443)	—
Dayton Hudson	44,505	43,172	– 3.0	102,200	110,575	+ 7.1
Federated[2]	55,400	42,200	– 23.8	130,000	113,200	– 18.6
May Co.	35,400	39,400	+ 11.9	86,000	104,100	+20.2
Mercantile	20,307	21,823	+ 7.5	44,726	48,314	+ 8.0
Subtotal	194,235	199,565	+ 2.4	471,222	459,314	– 2.5
Oshman's	805	456	– 99.7	183,277	194,301	+ 6.1
Toys "R" Us	6,961	10,279	+ 48.6	18,531	31,518	+70.1
Subtotal	6,926	10,735	+ 55.0	201,808	125,999	+89.3
The Gap	7,504	4,441	– 40.8	18,567	5,197	– 30.9
The Limited	29,970	28,385	+ 30.4	46,643	58,878	+26.2
Edison Bros.[1]	10,490	7,490	– 28.6	27,290	21,190	– 22.4
Subtotal	38,874	40,226	+ 3.5	94,430	85,174	+ 8.9
Syms	1,573	2,211	+ 40.6	5,507	6,972	+24.8
Clothes Time	638	829	+ 29.9	1,871	2,747	+46.8
Subtotal	2,211	5,251	+137.4	7,488	9,719	+30.1
Total	854,887	962,719	+ 8.9	1,886,831	1,766,836	+ 5.9

[1]Continuing operations only [2]Consolidated operations only [3]Excludes unusual items [4]U.S. merchandising only

Modernization pays off for Penney

Modernized J. C. Penney stores have successfully made up for lost volume from eliminated hard lines, notes chairman William Howell. The 33 stores modernized in 1984 had satisfactory sales increases—up about 10%—lower than the chain average due to lost sales caused by the remodeling disruption.

For the 40 stores modernized in '83, sales were up 19.8% in '84.

These stores are doing better than the chain average because '83 sales were low due to the modernization process. Approximately 33 more stores are slated for conversion this year. Howell says Penney could step up the pace to 50 or 60 stores a year, but because modernization does affect sales, he says, Penney prefers the slower pace.

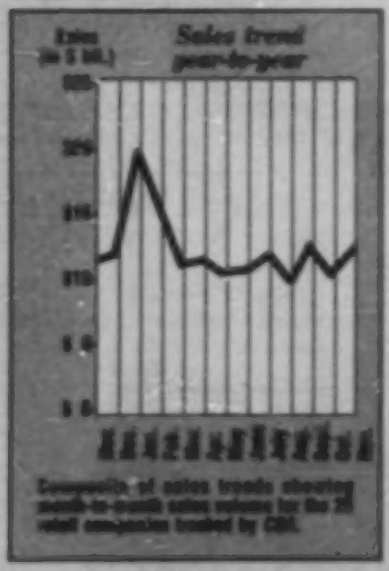
Sales for all other metro Penney stores were up 13.8% for '84.

November marks small sales gains

Heavy pre-Christmas markdowns gave consumers much to be thankful for in November, but the Thanksgiving feast was less than joyous for major retailers. The 25 chains tracked by *Chain Store Age* logged a 9.1% sales increase over November 1983, the smallest monthly gain this year. Figures for the 10-month-old fiscal year were up 11.2%.

Margin pressure in the final quarter has been so intense, according to some industry analysts, that December and January combined sales will have to come in 10% over last year just to keep profits even.

The Big 3 catalog chains lumbered into the Christmas season



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by CSA.

with less than spectacular results. Sears Canada posted a meager 1.0% increase, bringing combined United States-Canadian merchandise operations down to a 3.1% overall gain. Comparable-store figures for J. C. Penney climbed a modest 5.3%, while Montgomery Ward same-store results gained 1.4%.

Among the department stores, Carter Hawley Hale led the pack, posting a 17.0% jump. Comparative-store figures were up 18.8% for CHH's department store division and 13.6% for specialty stores. Same-store results were up 8.6% at Mercantile, 5.1% for May Co. and 4.2% at R. H. Macy.

K mart continues to counter the

Retailers not so thankful in November

Major chains	% change	Nov. Sales* 1984	Nov. Sales* 1983	Stores 1984	Stores 1983	10 mos. sales* 1984	10 mos. sales* 1983	% change
Sears*	+ 1.1	2,980,629	2,817,460	879	890	18,549,088	17,544,536	+ 5.7
Penney	+ 5.7	1,161,000	1,098,000	2,029	2,029	9,305,000	8,240,000	+ 13.0
Ward*	+ 0.3	588,109	587,057	366	376	5,094,624	4,655,504	+ 9.4
Federated*	+ 7.2	717,700	669,000	451	546	5,589,200	5,410,300	+ 3.3
Dayton Hudson	+ 12.5	680,905	605,102	1,140	1,083	5,688,277	4,913,464	+ 15.8
May Dept. Stores	+ 9.0	452,159	424,000	1,778	1,552	3,598,000	3,170,000	+ 13.5
R. H. Macy	+ 4.6	394,100	369,500	96	93	3,233,400	2,868,500	+ 12.9
Allied Stores	+ 3.3	380,300	369,000	596	571	3,037,300	2,812,900	+ 7.6
Carter Hawley Hale	+ 17.0	363,900	311,100	260	266	2,866,400	2,388,000	+ 20.0
Associated Dry Goods	+ 9.2	307,000	295,500	332	335	3,055,000	2,678,000	+ 14.1
Mercantile	+ 5.7	170,981	161,690	79	86	1,287,540	1,216,235	+ 5.9
K mart*	+ 16.7	1,779,696	1,524,536	2,174	2,167	15,999,380	14,470,195	+ 10.6
Wentworth	+ 1.6	456,334	449,253	84	84	4,395,442	4,185,903	+ 5.0
Wal-Mart	+ 38.0	715,000	515,000	751	645	5,842,000	3,635,000	+ 60.7
Household Merch.*	+ 3.4	448,798	434,496	1,708	1,674	4,359,519	4,251,624	+ 2.5
T.J. & T.	- 0.7	171,887	167,277	754	831	1,568,139	1,552,688	+ 0.9
Zayre*	+ 15.0	323,594	278,839	648	808	2,427,256	2,071,405	+ 17.1
Brooksco	+ 0.1	133,000	133,000	132	127	1,047,000	871,000	+ 19.9
Murphy	+ 2.5	79,130	77,250	386	407	703,705	670,858	+ 5.0
Kuhn's	+ 4.9	108,030	103,032	195	207	721,292	648,045	+ 11.3
Hecht's	+ 7.7	48,000	47,700	126	122	374,500	349,200	+ 7.2
Jamesway	+ 71.3	67,344	39,071	85	78	362,648	222,504	+ 12.5
Melville	+ 8.1	303,027	363,695	5,934	5,743	3,691,037	3,232,463	+ 14.2
Family	N.C.	250,295	250,194	844	844	1,836,716	1,664,464	+ 3.7
Edison Bros.	- 10.0	78,195	84,680	2,327	2,166	663,877	671,503	+ 5.6
The Gap	+ 4.5	42,900	41,000	625	570	387,000	352,000	+ 10.0
Total & Averages	+ 9.1	12,829,743	11,816,990	—	—	103,210,391	92,811,811	+ 11.2

"000 omitted. N.C. = no change. N.A. = not available.
*Store number by 360-day calendar only. *Includes 2,742 franchised stores (vs. 2,834 a year ago). *Includes Ward's and T.G. & Y. sales. *Includes 250 Zayre stores (vs. 276 a year ago), 402 HE or 87 as stores (vs. 3660 and 158 T. J. Maxx stores (vs. 116). *Excludes supermarket sales. *Includes results from Sears Canada, Ltd. *Store count includes 8 retail stores only.

trend. November's 16.7% increase marks the fifth consecutive month the discounter's monthly performance outpaced its year-to-date totals. Same-store results for K mart gained 12.5% for the month. Bentonville, Ark.-based Wal-Mart also saw November results ahead of its 10-month pace, posting a 38.8% jump. Comparable-store figures were up 18.0%.

Electronics specialists moved into the Christmas selling season with only modest gains. The Federated Group, a Commerce, Calif.-based 28 unit electronics "supermarket" operator, saw November sales up 40% over last November, but posted only 4% store-for-store gains. Tandy's United States Radio Shack division marked sales for the month even with last year.

Macy's earnings streak sidelined

After 32 consecutive quarters of earnings increases, R. H. Macy Co. suffered a setback in the first quarter of fiscal 1985. After a "marginally" disappointing November, chairman and ceo Edward Finkelstein predicts only modest increases in the second quarter, which includes Christmas.

Unlike other retailers, Macy's cannot attribute the slump to high inventory levels. On a store-for-store basis, inventories are up only 8% over '83, one of the lower figures in the industry. Macy's has been gradually reducing inventory since last January, anticipating a slowdown, and the reduced inventory position, Finkelstein feels, puts Macy's in a better position for second-quarter profits.

Capital spending for fiscal '85 has been doubled, to $300 million. Half will go toward new projects (Texas, New Orleans) and half to remodeling.